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IN THE

Supreme Court of the United States

OCTOBER TERM, 1939.

No. 721

BACARDI CORPORATION OF AMERICA, *Petitioner,*

v.

RAFAEL SANCHO BONET, TREASURER, *Respondent,*

and

DESTILERIA SERRALLES, INC., *Intervenor-Respondent.*

PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT, AND BRIEF IN SUPPORT THEREOF.

EDWARD S. ROGERS,
THOMAS HUNT,
JEROME L. ISAACS,
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Attorneys for Petitioner.

February 29, 1940.

PRESS OF BYRON S. ADAMS, WASHINGTON, D. C.

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PETITION FOR WRIT OF CERTIORARI TO THE CIRCUIT COURT OF APPEALS FOR THE FIRST CIRCUIT.

Bacardi Corporation of America, petitioner, respectfully prays for a writ of certiorari to review the judgment of the United States Circuit Court of Appeals for the First Circuit, entered January 12, 1940 (R. 443), reversing the decree of June 30, 1938, of the United States District Court for the District of Puerto

Rico which held invalid parts of the Spirits and Alcoholic Beverages Act of Puerto Rico (R. 116-117).

The case involves Sections 44 and 44b of the Beverages Act enacted June 30, 1936, as amended May 15, 1937.[1] Section 44 prohibits marking distilled spirits with any corporate or commercial name, trade-mark, brand or other designation which had previously been used anywhere outside of Puerto Rico, excepting those used by a manufacturer of spirits in Puerto Rico before February 1, 1936. Section 44b prohibits shipment of distilled spirits from Puerto Rico to the United States or other points in containers of more than one gallon capacity.

Petitioner contends that the purpose and result of the Acts in question is to prohibit it from using the well-known Bacardi name and trade-marks. This violates the Inter-American Trade Mark Convention[2] of 1929. It likewise conflicts with provisions of the Federal Alcohol Administration Act[3] and regulations thereunder. As petitioner's competitors are not forbidden to use their marks, while petitioner is, equal protection[4] is denied, and petitioner is deprived of its property without due process.[4]

STATEMENT.

Petitioner is a Pennsylvania corporation operating a distillery in Puerto Rico. On March 31, 1936, petitioner qualified to do business in Puerto Rico. It holds rectifier's and distiller's permits issued by Puerto Rico (R. 288, 315, 316). It holds basic permits issued by the

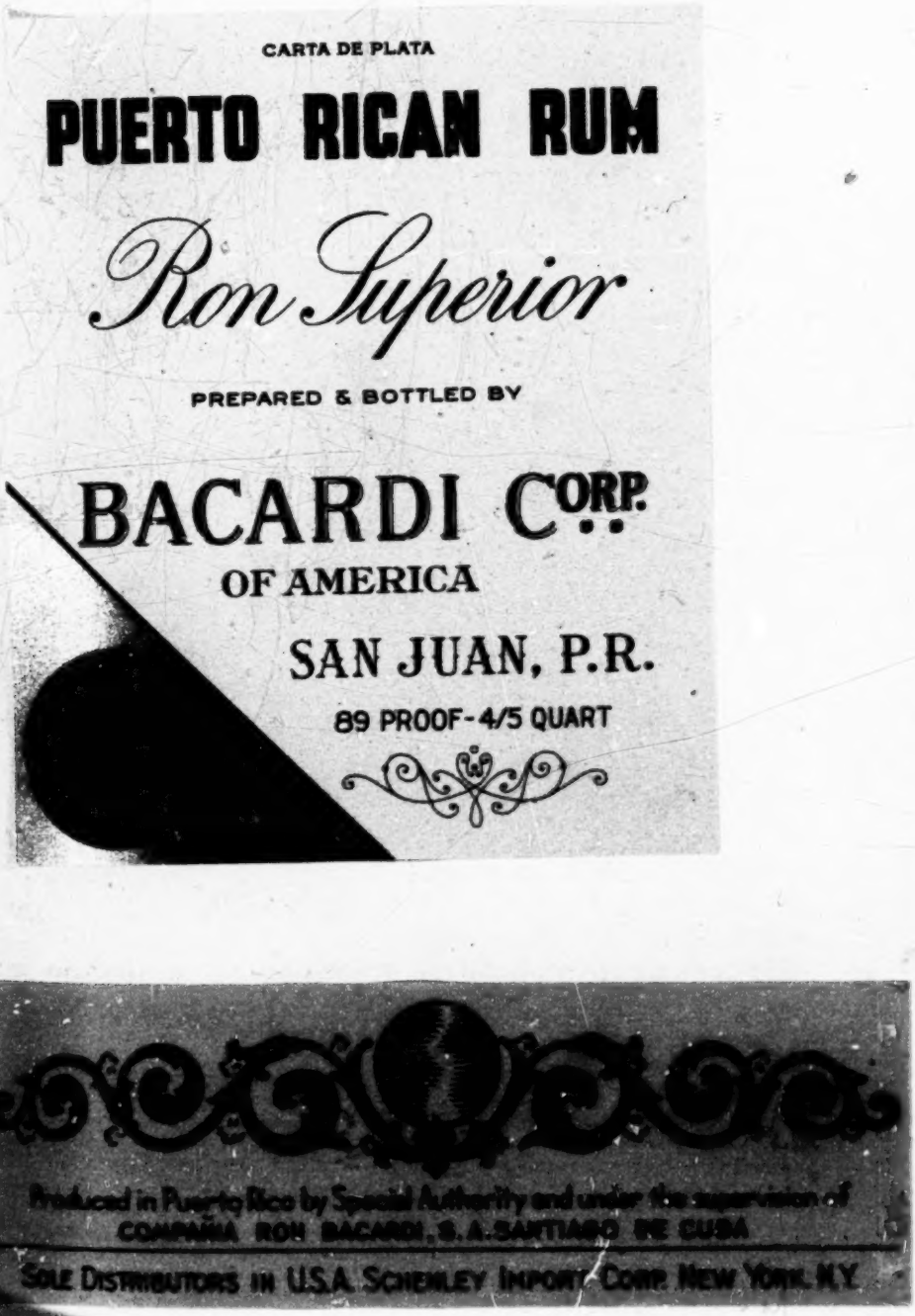
[1] The relevant portions of the Act are printed in Appendix A.

[2] Relevant portions of the Convention are printed in Appendix B.

[3] Pertinent provisions of the Federal Alcohol Administration Act are printed as Appendix C.

[4] These clauses of the Organic Act are printed in Appendix D.

Federal Alcohol Administration (R. 112, 271-273). It also holds a certificate of approval of labels issued by the Federal Alcohol Administration (R. 269, 275-277) which approves use of the following label:



The sections of the Puerto Rican statute here under attack prohibit petitioner from using this label because it includes the Bacardi name and trade mark.

Respondent is the Treasurer of Puerto Rico, charged with the administration of the Puerto Rican statute. Intervenor-respondent is a corporation of Puerto Rico operating a distillery on the Island.

The statutes of June 30, 1936, and May 15, 1937, were enacted by the Puerto Rican legislature after petitioner had acquired from Compania Ron Bacardi, S. A., of Cuba. the right to use the Bacardi name and trade-marks, together with the secret processes under which Bacardi rum is manufactured, after petitioner had qualified to do business in Puerto Rico, and after it had leased buildings on the Island and equipped its distillery (R. 110-112). The statutes in question were aimed at petitioner and petitioner alone. They prevented the use of the Bacardi name and trade-marks on rum manufactured in Puerto Rico and thereby gave a competitive advantage to the three less celebrated rum distillers who were distilling before the arbitrary date of February 1, 1936 (R. 114). The limitation with respect to the size of the container is for the purpose of preventing petitioner from shipping rum in bulk to the United States and there applying its name and trade-mark (R. 440). Such limitation effectively prevents petitioner from competing for bulk business in the United States market (R. 114).

On July 31, 1937, petitioner filed its bill of complaint in the District Court of the United States for the District of Puerto Rico attacking Sections 44 and 44b of the Act as amended. A preliminary injunction was issued (R. 95) and upon final hearing, the District Court held the sections invalid and a permanent injunction was issued by final decree entered June 30, 1938 (R. 116-117). On appeal therefrom, the Circuit Court of Appeals for the First Circuit held the stat-

utes a valid exercise of the police power, reversed the decree of the District Court and directed dismissal of the complaint.

The statutes in question are not liquor control legislation as that term is commonly understood. They do not affect importation into Puerto Rico but exportation from Puerto Rico. They have nothing to do with quality, standards, or honest labeling. They have no relation to public health or morals. They are neither inspection statutes nor revenue measures (R. 114). They were directed at petitioner alone (R. 114). They affect no one else, except that the limitation on capacity of containers was stated in terms of general application.

Their purpose was to foster monopoly. They were passed at the instance of petitioner's competitors to handicap petitioner in the sale of its rum in the American market by forbidding the use of the highly esteemed Bacardi name and trade-marks which petitioner lawfully uses and which have an established good will. These statutes compel petitioner to operate, if it should operate at all in Puerto Rico, under an unknown alias. Petitioner is required to conceal its identity and the origin of its goods. It is compelled to leave behind its good reputation and abandon its good-will and trade-marks as the price of operating in Puerto Rico.

The trade-marks which petitioner here seeks to use were originally Cuban trade-marks. They were registered in the United States (R. 188-258) and in Puerto Rico (R. 258-268) in accordance with the Inter-American Convention. The Cuban owners granted to petitioner the right to use such marks in the United States including Puerto Rico on products made according to the formulas and manufacturing secrets and under the supervision of Cuban Bacardi (R. 290-307). This treaty expressly provides for such transfer of the use

and exploitation of trade-marks separately for each country (Art. 11, Appendix B). The treaty further provides that every mark duly registered in one of the contracting states shall be admitted to registration or deposit and legally protected in the other contracting states (Arts. 3 and 10). The convention also provides for the protection of commercial names (Art. 14). The Puerto Rican statutes here in question contravene this treaty under which commercial names and trade-marks of Cuban nationals are guaranteed protection in the United States. To prohibit their use for the benefit of competitors is not to protect them.

While petitioner is thus compelled to abandon its highly esteemed name and trade-marks, notwithstanding the protection guaranteed by formal treaty provisions, other Puerto Rican distillers, who are competitors of petitioner, are permitted to use names and marks which had originated or been used outside Puerto Rico and are permitted to ship rum bearing such names and marks to the Continental United States (R. 114). While these other names and brands perhaps have less public acceptance, they are to petitioner's competitors what the Bacardi name and trade marks are to petitioner.

To discriminate against petitioner and in favor of its competitors, the statute selects an arbitrary date, February 1, 1936. Before this date, the use of the names or marks must have begun in Puerto Rico, regardless of their currency elsewhere. The date selected exempts from the name and label prohibitions all of petitioner's competitors; it causes such prohibitions to apply to petitioner alone, a result plainly intended. The statute as enacted June 30, 1936, also prohibited one of petitioner's competitors, Carioca, from using its name and marks, but by section 7 of the amending act of May 15, 1937, the exemption was extended to marks which had been used only in the United States but not

elsewhere, and Carioca was thereby given the privileges denied petitioner.

Petitioner is thus compelled to assume anonymity to reward the less respected. By taking petitioner's good will away from it and compelling it to conduct its business and sell its goods without the benefit of its previously established reputation, the statute in effect confers an unearned benefit on petitioner's less esteemed competitors and gives them an unfair competitive advantage, at the same time depriving the public of information it is entitled to have—facts as to the origin of the goods offered for sale—so that an intelligent choice can be made.*

The statute thus creates an arbitrary discrimination against petitioner and denies it the equal protection of the law guaranteed by the Organic Act and by the Fourteenth Amendment to the Constitution of the United States to the extent that the Fourteenth Amendment may apply to the territory of Puerto Rico.

Sections 44 and 44b also impose burdens and restrictions upon commerce between Puerto Rico and the United States and conflict with the provisions of the Federal Alcohol Administration Act.

These provisions of the statute likewise amount to a taking of petitioner's property without due process of law and are in contravention of the guarantees of the Organic Act and of the Fifth Amendment to the Constitution of the United States to the extent that the Fifth Amendment may apply to Puerto Rico.

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*In Federal Trade Commission v. Algoma Lumber Company, 291 U. S. 67, 78, Mr. Justice Cardozo said:

> "In such matters, the public is entitled to get what it chooses, though the choice may be dictated by caprice or by fashion or perhaps by ignorance."

REASONS FOR GRANTING THE WRIT.

1. *Desirability of Construction of Trade Mark Convention.* The Inter-American Trade Mark Convention and Protocol of February 20, 1929 (46 Stat. 2907) has never been judicially interpreted. A construction of it by this Court is of great public and international concern. Such legislation as the Puerto Rican statute invites reprisals which would seriously affect our foreign trade and imperil relations with the other American Republics.

This Court has often held that trade-marks are creatures of the common law; *i.e.,* the law of the States (*Trade Mark Cases,* 100 U. S. 82) and that the Federal Trade Mark Statutes do not give substantive rights in trade-marks registered under them (*American Trading Co.* v. *Heacock,* 285 U. S. 247). But it is by no means clear that foreigners have not been given substantive rights in their trade-marks under international conventions. The power of the National Government in this respect is complete and the local law is subordinate. This case presents the question whether substantive rights in trade-marks can be thus created by treaty.

Also, it is important to determine if industrial property conventions are self-executing when they are complete in themselves as this one is. Two views are held on the question. Secretary Bayard, on January 18, 1889, informed the British Government that such conventions are self-executing; Attorney General Miller thought otherwise on April 5, 1889, and said they needed legislation to make them effective (Moore Digest of International Law, II, pp. 42, 44). If they are self-executing then such treaties supersede any Act of Congress inconsistent with them (*U. S.* v. *Lee Yen Tai,* 185 U. S. 213, 221), and under the terms of the Constitution (Article VI) treaties are the supreme

law of the land, anything in the laws of any state or territory to the contrary notwithstanding.

The treaty guarantees to the nationals of Cuba protection in their trade-marks in the United States, and authorizes their use and exploitation here. It also protects trade and commercial names. A statute which forbids their use, contravenes the treaty. This prohibition does not apply to other foreign marks, some of which may not even be protected by similar treaties. When the prohibition is not for reasons of public health or morality, but to give competitive advantage to American nationals whose names and marks are not so highly regarded, it is not only void but discreditable. The treaty, we submit, being the supreme law of the land, is paramount.

A decision by this Court upon these questions arising under the Inter-American Trade Mark Convention is of international concern as well as of great public importance to our own citizens.

2. *Importance of Decision on Equal Protection Clause of the Organic Act of Puerto Rico.* The Puerto Rican statute prohibits petitioner from using names or trade marks previously used outside the Island, but gives that privilege to other persons engaged in the same business if use in Puerto Rico began before February 1, 1936. The decision of the Court of Appeals holds that such discrimination is not forbidden by the equal protection clause. This Court has held that a similar New York statute denied equal protection in withholding or granting privileges to milk dealers based on the date of beginning business. *Mayflower Farms, Inc.* v. *Ten Eyck,* 297 U. S. 266. There, as here, the challenged statute was "not a regulation of business in the interest of, or for the protection of, the public, but an attempt to give an economic advantage to those engaged in a given business at an arbi-

trary date as against all those who enter the industry after that date."

The equal protection clause as applied to Puerto Rico (whether by the Organic Act or by the Constitution) should mean the same thing as it does when applied to a State. The decision of the Circuit Court of Appeals herein makes it doubtful if this is so. The conflict in the above decisions cannot be reconciled on the ground that one relates to the milk business and the other to the distilling business. The question here is one of the equal protection of those engaged in the same business.

The equal protection clause, as applied to the territory of Puerto Rico, has not been construed by this Court. The degree of protection that may be expected from this clause is of vital public interest to all who are or may be engaged in commerce with Puerto Rico or in any kind of business within the Island. A decision by this Court on the subject is important to the economic development of Puerto Rico and for the guidance of all persons in deciding whether to enter or continue business in or with the Island.

3. *Necessity of Resolving Conflict With Federal Alcohol Administration Act and Regulations.* Another question of public importance presented by this case is the extent to which Puerto Rican legislation can limit the operation of the Federal Alcohol Administration Act and the regulations issued thereunder. The Puerto Rican statutes do not affect importation into the Island. By the definitions of the Alcohol Administration Act, which was passed on August 29, 1935, prior to the Puerto Rican statutes here considered, Congress plainly undertook to regulate the entire field of commerce in alcoholic beverages, with the territories of Puerto Rico, Alaska and Hawaii, as well as among the several states and with foreign nations. There can be no doubt of its power to do so.

The restrictions imposed by the Puerto Rican statutes are in conflict with the regulations issued by the Federal Alcohol Administration. Under the Federal Alcohol Administration Act and its regulations, labels using the corporate name and trade-marks of petitioner have been approved and the shipment of rum in bulk from Puerto Rico authorized. The right to do these things, granted by the Federal authority, is denied by Puerto Rico.

The Federal Alcohol Administration Act and the regulations issued thereunder clearly contemplate a complete system of regulation over all commerce in alcoholic beverages whenever such commerce passes outside the confines of a single state or territory. The sole exception is that embodied in the Twenty-first Amendment to the Constitution of the United States which is limited to alcoholic liquor entering into a state or territory *for delivery or use therein.* The regulation of interstate commerce thus undertaken by Federal authority can not succeed if it is to be altered and amended at will by the forty-eight states and the territories.

The regulations imposed by the Puerto Rican statutes here involved appear to be such as would be held beyond the power of a state under the decisions of this Court with respect to interstate commerce. The decision of the Circuit Court of Appeals suggests that a territorial legislature has power to legislate concerning commerce between the United States and the territory in a manner beyond the power of any state to legislate concerning interstate commerce. On this question of territorial power we are unable to find any decision by this Court. This question, as well as the question what regulation controls when local authority conflicts with the Federal Alcohol Administration, ought to be decided by this Court. Commerce with the territories cannot flourish if attended by such uncertainties as are

created by the Puerto Rican legislation and the decision of the Circuit Court of Appeals upholding it.

4. *Petitioner Should be Protected Against Being Deprived of Its Property Without Due Process of Law.* Trade-marks and commercial names are property rights and are jealously protected as a sound public policy, both to encourage excellence and to protect purchasers from imposition. The Act takes away from petitioner the benefit of its good reputation and the opportunity of the public to rely upon it, by forbidding petitioner to use the Bacardi name and trade-marks. This deprives it of its property without due process.

The statute in question is the sort of expropriation of good will and trade-marks which was before this Court in *Baglin* v. *Cusenier,* 221 U. S. 580, and before the House of Lords in *Lecouturier* v. *Rey* (1910) A. C. 265, where the French Government attempted to appropriate the Chartreuse trade-marks. Here the Legislature of Puerto Rico has not appropriated the Bacardi trade-marks but has sought to destroy them.

Respectfully submitted,

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February 29, 1940.

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BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI.

I.

THE OPINIONS BELOW.

The opinion of the District Court for the District of Puerto Rico, filed May 9, 1938, is at R. 95-116. The opinion of the Circuit Court of Appeals for the First Circuit is not yet reported and is at R. 429. It was filed January 12, 1940 (R. 443).

II.

JURISDICTION.

The jurisdiction of this Court is invoked under Section 240(a) of the Judicial Code, as amended by the Act of February 13, 1935 (28 U. S. C. Sec. 347).

III.

STATEMENT OF THE CASE.

The case is stated in the foregoing petition for writ of certiorari at p. 2. The following findings made by the District Court succinctly state the facts. They were not modified by the Circuit Court of Appeals (R. 110-114):

> "7. For more than twenty years, except for the period during national prohibition, Compania Ron Bacardi, S. A. and its predecessors have sold alcoholic liquors, principally rum, in Puerto Rico and elsewhere throughout the United States under trademarks including the word 'Bacardi', 'Bacardi y Cia.', the representation of a bat in a circular frame, and certain distinctive labels. These trademarks were duly registered in the United States Patent Office and in the Office of the Executive Secretary of Puerto Rico prior to the passage of the laws complained of in this suit.
>
> "10. On June 8, 1934, plaintiff, Bacardi Corporation of America, entered into a written agreement with Compania Ron Bacardi, S. A., by the terms of which the Cuban company authorized the plaintiff to manufacture and sell rum in certain localities and to use the trademarks and labels (commonly known as the Bacardi trademarks and labels) belonging to the Cuban company and set forth in 7 above in connection with such manufacture and sale. On December 19, 1935, Bacardi Corporation of America entered into a supplementary agreement with Compania Ron Bacardi, S. A., extending the territory covered by the contract of June 8, 1934 to include Puerto Rico. The contract of June 8, 1934 provides that all rum manufactured and offered for sale by the plaintiff, Bacardi Corporation of America, to which the said trademarks and labels are attached, is to be manufactured under the supervision of Compania Ron Bacardi, S. A., and is to be the same rum that

the Cuban company manufactures and sells under the said trademarks and labels.

"11. That the contract between the Cuban company and the plaintiff company was formally ratified by the two companies, but even before the formal ratification, the use of the labels and trademarks by the plaintiff was assented to by the Cuban company which actually participated in the use of said labels by plaintiff.

"12. Bacardi rum is and always has been made according to definite processes and methods. It has been extensively advertised and it enjoys an excellent reputation. In accordance with the contract of June 8, 1934, the secret processes and methods under which Bacardi rum is made have been made available to the plaintiff. Plaintiff, in order to comply with the contract of June 8, 1934 by producing rum in Puerto Rico of the identical quality of that produced in Cuba by Compania Ron Bacardi, S. A., has used the secret processes and methods of Cuban Bacardi and brought to Puerto Rico from Cuba experts and technicians who have supervised the manufacture of rum for the plaintiff in Puerto Rico. The rum so manufactured in Puerto Rico by the plaintiff is made according to the secret methods and processes made available to plaintiff under the aforesaid contract and is the same product heretofore sold in the United States and Puerto Rico under the trademarks set forth in paragraph 7 of these findings.

"13. In March, 1936, plaintiff made arrangements for the installation in Puerto Rico of a plant for the conduct of its business. It leased a building at a yearly rental of Ninety-six Hundred Dollars ($9,600) and expended about Forty-five Thousand Dollars ($45,000) for the installation of its plant. Up to the present time plaintiff's total investment in the said plant and manufactured

product exceeds the sum of Six Hundred Thousand Dollars ($600,000).

"14. The right to use the Bacardi trade-marks and labels conferred on plaintiff under the contract of June 8, 1934 is a valuable property right. These trade-marks and labels symbolize a valuable good will and are of great value to the plaintiff in marketing its commodity.

"18. Plaintiff has in stock in Puerto Rico about three hundred fifty thousand (350,000) gallons of rum and is ready to bottle and ship that rum to the United States in quantities of approximately ten thousand (10,000) cases per month.

"20. Plaintiff appears to be the only company unfavorably affected by the provisions of the several acts as to the use of labels or trademarks, although there are at least three other companies now operating in Puerto Rico who use on their products trademarks and labels which were previously, in whole or in part, used outside the Island of Puerto Rico.

"21. If plaintiff is prohibited from using the trademarks and labels herein referred to it will suffer irreparable damage.

"23. That the requirement that shipments of rum be made in containers of not more than one gallon is to deny the right to export rum in bulk, as the cost of such shipments would exceed the value of the commodity.

"24. There is no law in force at the present time in Puerto Rico fixing any standard of quality or providing for any inspection of rum manufactured or to be manufactured within Puerto Rico.

"25. The exportation and sale of alcoholic liquors manufactured in Puerto Rico, in Continental United States or elsewhere, will in no way deplete the revenues of Puerto Rico.

"26. That if the plaintiff is not permitted to use its corporate name its business will be greatly damaged and it will suffer great and irreparable loss."

IV.

SPECIFICATION OF ERRORS TO BE URGED.

The Circuit Court of Appeals erred:

1. In failing to hold Sections 44 and 44 (b) of the Spirits and Alcoholic Beverages Act of Puerto Rico, as amended, invalid as applied to petitioner because these sections attempt to destroy substantive rights in trade-marks guaranteed to petitioner by the 1929 Inter-American Convention and Protocol for Trade Mark and Commercial Protection.

2. In failing to hold said sections of the Puerto Rican Beverages Act invalid as applied to petitioner because in conflict with the Federal Alcohol Administration Act, and regulations thereunder, insofar as they seek to limit petitioner's right to market its products under its own name, trade-marks, trade names and brands, as approved by the Federal Alcohol Administration, and to ship said products in bulk to the United States, as permitted by the Federal Alcohol Administration.

3. In failing to hold that the Congress of the United States has acted in ratifying said 1929 Inter-American Convention and Protocol for Trade Mark and Commercial Protection and in adopting said Federal Alcohol Administration Act, and has pre-empted the respective fields covered by said Convention and said Act, and that substantive rights obtained by petitioner thereunder may not constitutionally be abridged by the legislature of Puerto Rico.

4. In failing to hold that said sections of the Puerto Rican Beverages Act are in conflict with the equal protection and due process clauses of the Organic Act of Puerto Rico, or of the Fifth and Fourteenth Amend-

ments to the Constitution of the United States, and that said Beverages Act denies petitioner equal protection of the laws and requires the destruction of its property without due process of law.

5. In failing to hold that the said sections of the Puerto Rican Beverages Act violate the Commerce Clause.

6. In holding that said sections of the Puerto Rican Beverages Act constitute a valid exercise of the police power.

V.

ARGUMENT.

The Puerto Rican Statute Is In Conflict With Treaty Provisions And Therefore Invalid.

Petitioner acquired from the Cuban company the right to use and exploit certain of its trade-marks, including the Bacardi name, in the United States and Puerto Rico. These marks had been registered in the United States in accordance with the Inter-American Trade Mark Convention. Petitioner's acquisition of the right to use them was in accordance with Article 11 of that Convention.*

Section 44 of the Puerto Rican statute, as amended, prohibits petitioner from using any of these trade-marks which it has thus acquired and which have been registered in the United States pursuant to the treaty. The statute thus conflicts with the treaty.

The treaty says that because the marks have been used and registered in Cuba they shall be entitled to registration and protection in the United States. The Puerto Rican statute says that because the marks have been used in Cuba, they shall not be used in Puerto Rico or on shipments from Puerto Rico to the United States or to foreign countries. The very circumstance which brings the mark within the terms of the treaty, namely

*See Appendix B for extracts from the Convention.

its use in Cuba, causes the prohibition of the Puerto Rican statute to operate upon it.

Treaties made under the authority of the United States are the supreme law of the land, anything in the constitution or laws of any state to the contrary notwithstanding. (Article VI, Clause 2 of the Constitution.)

The law of any state or territory, such as the Puerto Rican statute, which conflicts with a valid treaty executed by the United States must yield to that treaty. *Santovincenzo* v. *Egan,* 284 U. S. 30; *Asakura* v. *Seattle,* 265 U. S. 332.

Petitioner Has Been Denied the Equal Protection Of The Laws Guaranteed By The Organic Act of Puerto Rico.

The equal protection clause of the Organic Act of Puerto Rico* has not been construed by this Court. This petitioner and others engaged in commerce on the Island do not have an authoritative interpretation which will throw light upon the power of the local legislature to adopt standards having every appearance of an exercise of arbitrary power for the benefit of a few private individuals or corporations.

The Puerto Rican statute purports to legislate with respect to distillers, a permissible classification. But it goes farther and so separates the class that a dividing line is drawn, marked by a mere date, and sub-classifications created. Petitioner is placed in one of these sub-classifications and all other Puerto Rican distillers occupy the other. The statute withholds from petitioner alone the fruits of successful operation under a famous name and under trade-marks having an established reputation. There can be no doubt from the findings of the District Court that petitioner's right to expect a recurring trade in "Bacardi" rum was deliberately suppressed by the legislature. There can be no

*Quoted in Appendix D.

doubt that petitioner's competitors, marketing less famous products, are the sole beneficiaries of this legislation. An interesting and important question of equal protection of the laws is raised and should be decided by this Court, where all those engaged in a similar business are accorded equal treatment in manufacturing, but one of them, the petitioner, is forbidden to market its product except under an assumed name.

Because of the substantial similarity in the wording of the equal protection clauses in the Organic Act and in the 14th Amendment to the Constitution, recourse may be had to cases decided under the latter clause, whether or not directly applicable to the territory of Puerto Rico. An examination of such cases indicates the probability of a conflict between the decisions of this court and the decision of the Circuit Court of Appeals in the instant case.

This Court has expressly held unconstitutional a purported classification under the New York Milk Control Act which was based upon a line drawn between those similarly situated who were in business before and after a particular date. The classification there attacked bore no relation to the public health or general welfare, but operated to give an economic advantage to the class of persons, arbitrarily selected, as against others in the same line of business and equally worthy. *Mayflower Farms, Inc.* v. *Ten Eyck,* 297 U. S. 266.

This Court has likewise condemned an attempt by a state to oppress a single business, properly domiciled within the state, for the supposed benefit of others of its citizens, by the imposition of penalties based upon an arbitrary classification. *McFarland* v. *American Sugar Refining Company,* 241 U. S. 79. The statute stricken down in the McFarland case would, if unchecked, have destroyed a valuable business by a wanton disregard of private rights. The Puerto Rican

statute in this case will have the same effect upon petitioner's business in that territory and the Continental United States if its operation is not permanently enjoined.

It may be assumed that a legislature, state or territorial, is permitted to experiment within a relatively wide field and to apply its laws through the medium of reasonable classifications. But classification is discrimination, and discriminations cannot stand as reasonable if they offend the plain standards of common sense. *Hartford Steam Boiler Inspection & Insurance Co.* v. *Harrison,* 301 U. S. 459, 462. To say the least, the classification adopted in the instant case is so unusual as to require the closest scrutiny. This Court has said that unusual discriminations suggest careful consideration to determine whether they are obnoxious to the constitutional provision of equal protection. *Louisville Gas & Electric Co.* v. *Coleman,* 277 U. S. 32, 37, 38.

Where the statute of a territory not only threatens to destroy valuable private rights of one person, but preserves the same rights for others, similarly situated, it interferes with free and fair competition in business and is repugnant to every concept of equal protection. A statute cannot be supported upon the basis of reasonable classification where, by its very terms, it appears highly unreasonable and prejudicial. This statute certainly presents a case under the equal protection clause of which this court should take jurisdiction.

The Puerto Rican Statute Conflicts with the Federal Alcohol Administration Act and is Invalid.

The Federal Alcohol Administration Act*, approved August 29, 1935, announced the intention of the Congress to regulate the entire traffic in alcoholic

*Pertinent provisions of the Federal Alcohol Administration Act are printed in Appendix C.

beverages between the states, including Puerto Rico, subject to the limitations of the 21st Amendment not here involved.

Section 17(a) of this Act defines the "United States" to mean "the several States and Territories"; the term "State" to include "a Territory" and the term "Territory" to mean "Puerto Rico" (and others). Subsection (3) defines "interstate commerce" as "commerce between any state (including the Territory of Puerto Rico as above) and any place outside thereof" (parenthesis ours).

Except for basic permittees, it is unlawful under Section 3(b) to distill or ship spirits in interstate commerce as above defined.

Under Section 5(e) it is unlawful to remove from customs custody or ship spirits in interstate commerce, except under labels approved by the Administrator. This is to furnish customers with adequate information as to the identity, quality and manufacturer of the product and to prevent deception.

There is no prohibition in the Act against sale or shipment of bulk spirits in containers larger than one gallon capacity except, under section 6, when the sale or shipment is to a person not licensed to receive them. Petitioner is permitted, by the Act and its regulations, to ship and sell rum in bulk to duly licensed importers in the United States.

Pursuant to this Act, Petitioner is expressly authorized by the Federal Alcohol Administration to manufacture rum in Puerto Rico (Rectifiers Basic Permit No. R-452; R. 271) and to warehouse, bottle, sell and ship the rum there distilled to the mainland (Warehousing and Bottling Basic Permit No. BR-542; R. 272) under labels bearing the Bacardi name and trademark which were used outside of Puerto Rico prior to February 1, 1936, as approved by the Administrator (Certificates of Approval of Labels of Domestically

Bottled Distilled Spirits; R. 269-271; 275-277). These certificates are all in full force and effect and have never been revoked.

The first two permits authorize petitioner to sell and ship rum in interstate commerce (as defined in the Act to include Puerto Rico). The certificates of approval of labels authorize petitioner to ship under the label set out on page 3 of the Petition.

Petitioner's permits do not limit the quantity which may be shipped. It has never been contended that petitioner has made bulk shipments to unlicensed persons within the prohibition of Section 6. Petitioner therefore has the right to ship its rum from Puerto Rico to continental United States in any sized containers.

After petitioner received federal authority to distill and bottle its rum in Puerto Rico and to ship it to the mainland under approved labels bearing its corporate name and trade-marks, the Puerto Rican legislature, by the statutes under attack, has prohibited petitioner from doing what the Federal Alcohol Administration authorized by Act of Congress has expressly sanctioned. Congress having entered the field and having covered it completely, the nullifying territorial legislation must fall. *El Paso & N. E. Ry.* v. *Gutierrez,* 215 U. S. 87. Mr. Justice Day, delivering the opinion of the Court, said (p. 93):

> "In view of the plenary power of Congress under the Constitution over the territories of the United States * * * there can be no doubt that an act of Congress undertaking to regulate commerce in the District of Columbia and the Territories of the United States would necessarily supersede the territorial law regulating the same subject."

It will suffice to mention only one illustration of the conflict which exists between the federal and territorial regulations. Section 5(c) of the Federal Alcohol

Administration Act requires that distilled spirits be labelled in conformity with regulations prescribed by the Administrator to provide the consumer with adequate information as to the manufacturer or bottler of the product. The regulations require (Sec. 53; R. 333) that the label show the name of the distiller or rectifier and the place where prepared. Thus the federal regulations *require* petitioner's use of its name upon its label. The Puerto Rican statute *prohibits* petitioner's use of its name upon its label. If petitioner labels as the federal regulation commands, the Puerto Rican statute says it cannot ship. If petitioner labels as the Puerto Rican statute commands, the federal regulation says it cannot ship. There is a head on collision.*

CONCLUSION.

The statutes here in question deprive petitioner of its name and trade-marks not only in Puerto Rico but throughout the country. They forbid the use of them on rum produced in Puerto Rico and shipped out. To prevent the sale of Bacardi rum under the Bacardi name and marks everywhere in the United States—indeed anywhere—is to give extra territoriality to a Puerto Rican penal statute. Moreover, it takes away from the remainder of the country and the Federal government the right to prescribe for themselves and within their jurisdiction the labeling for spirits originating in Puerto Rico and this is effected merely because the Puerto Rican legislature can get at the source. Petitioner's marks are lawful everywhere but there. The Puerto Rican legislature is in effect legislating for the whole United States by forbidding the use of trade-marks which, in the remainder of the country, are desired by the public and acceptable to the law.

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*No such conflict between mandatory requirements of the federal and local statutes existed in Ziffrin v. Reeves, 308 U. S. 132, or in Puerto Rico v. Shell Company, 302 U. S. 253.

In *Baglin* v. *Cusenier,* 221 U. S. 580 this Court held that the act of the French Government in expropriating the French Chartreuse trade-marks did not affect the monks' right to them in the United States because the confiscation could not extend beyond the limits of France. The House of Lords came to the same conclusion as to England (*Leconturier* v. *Rey* (1910) A. C. 265).

This Puerto Rican legislation takes petitioner's trade-marks away from it not only in Puerto Rico but throughout the country—because it forbids their use on shipments from the Island to any place outside. This is not the same as forbidding entry *into* the Island of goods under proscribed marks. It is the prohibition of shipments *out* of the Island under marks which are lawful both in the commerce affected and at the destination of the goods.

Respectfully submitted,

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APPENDIX A.

SPIRITS AND ALCOHOLIC BEVERAGE ACT OF PUERTO RICO.

(Act No. 6 approved June 30, 1936 as amended by Act No. 149 approved May 15, 1937)

Sec. 40.—Every person who in Puerto Rico manufactures or places in any container alcoholic beverages taxable under this Act, shall place on each container a label indicating the following particulars: Exact contents of the container; alcoholic content by volume; the place where it was distilled or manufactured, and the name of the bottler or canner. If said alcoholic beverage is rum, said person shall be obliged to have appear prominently on the label the following phrase in English *Puerto Rican Rum,* in letters not less than five-sixteenths (5/16) of an inch high and of lines of one-sixteenth (1/16) of an inch or more in width, said phrase to be not less than three (3) inches long. For containers of four-fifths (4/5) of a pint and less the phrase *Puerto Rican Rum* must appear on the label in letters not less than one-eighth (1/8) of an inch high, said phrase to be not less than one and one-half (1-1/2) inches long. On the label of every alcoholic beverage shall also appear the word *distilled, rectified,* or *blended,* as the case may be, in accordance with such regulations as the Treasurer may prescribe for the purpose: *Provided, further,* That the trade-mark or name of the rum must appear prominently on the label in letters of a size at least three times the size of the letters in which the name of the manufacturer, distiller, rectifier, bottler, or canner appears.

Sec. 44.—No holder of a permit granted in accordance with the provisions of this or of any other Act shall distill, rectify, manufacture, bottle, or can any distilled spirits, rectified spirits, or alcoholic beverages on which there appears, whether on the container, label, stopper, or elsewhere, any trade-mark, brand, trade name, commercial name, corporation name, or any other designation, if said trade-mark, brand, trade name, commercial name, corporation name, or any other des-

ignation, design, or drawing has been used previously, in whole or in part, directly or indirectly, or in any other manner, anywhere outside the Island of Puerto Rico; *Provided,* That this limitation shall not apply to the designations used by a distiller, rectifier, manufacturer, bottler, or canner of distilled spirits manufactured in Puerto Rico on or before February 1, 1936.

Section 44 above was further amended by Section 7 of the Act of May 15, 1937 reading as follows:

Sec. 7.—In regard to trade marks, the provisions of the *Proviso* of Section 44 of Act No. 6, approved June 30, 1936, and which is hereby amended, shall be applicable only to such trade-marks as shall have been used exclusively in the continental United States by any distiller, rectifier, manufacturer, bottler, or canner of distilled spirits prior to February 1, 1936, provided such trade marks have not been used, in whole or in part, by a distiller, rectifier, manufacturer, bottler, or canner of distilled spirits outside of the continental United States, at any time prior to said date.

Sec. 44 (b).—Distilled spirits, with the exception of ethylic alcohol, 180° proof or more, industrial alcohol, alcohol denatured according to authorized formulas, and denatured rum for industrial purposes, may be shipped or exported from Puerto Rico to foreign countries, to the continental United States, or to any of its territories or possessions, or imported into Puerto Rico, only in containers holding not more than one gallon, and each container shall bear the corresponding label containing the information prescribed by law and by the regulations of the Treasurer; * * *.

APPENDIX B.

GENERAL INTER-AMERICAN CONVENTION FOR TRADE MARK AND COMMERCIAL PROTECTION.

(46 Stat. 2907)

The Governments of Peru, Bolivia, Paraguay, Ecuador, Uruguay, Dominican Republic, Chile, Panama, Venezuela, Costa Rica, Cuba, Guatemala, Haiti, Colombia, Brazil, Mexico, Nicaragua, Honduras and the United States of America, represented at the Pan-American Trade Mark Conference at Washington in accordance with the terms of the resolution adopted on February 15, 1928, at the Sixth International Conference of American States at Havana, and the resolution of May 2, 1928, adopted by the Governing Board of the Pan-American Union at Washington,

Considering it necessary to revise the "Convention for the Protection of Commercial, Industrial, and Agricultural Trade Marks and Commercial Names," signed at Santiago, Chile, on April 28, 1923, which replaced the "Convention for the Protection of Trade Marks" signed at Buenos Aires on August 20, 1910, with a view of introducing therein the reforms which the development of law and practice have made advisable;

Animated by the desire to reconcile the different juridical systems which prevail in the several American Republics; and

Convinced of the necessity of undertaking this work in its broadest scope, with due regard for the respective national legislations,

Have resolved to negotiate the present Convention for the protection of trade marks, trade names and for the repression of unfair competition and false indications of geographical origin, and for this purpose have appointed as their respective delegates, * * *

Chapter II

TRADE MARK PROTECTION.

Article 3.

Every mark duly registered or legally protected in one of the Contracting States shall be admitted to registration or deposit and legally protected in the other Contracting States, upon compliance with the formal provisions of the domestic law of such States.
* * *

Article 10.

The period of protection granted to marks registered, deposited or renewed under this Convention, shall be the period fixed by the laws of the State in which registration, deposit or renewal is made at the time when made.

Once the registration or deposit of a mark in any Contracting State has been effected, each such registration or deposit shall exist independently of every other and shall not be affected by changes that may occur in the registration or deposit of such mark in the other Contracting States, unless otherwise provided by domestic law.

Article 11.

The transfer of the ownership of a registered or deposited mark in the country of its original registration shall be effective and shall be recognized in the other Contracting States, provided that reliable proof be furnished that such transfer has been executed and registered in accordance with the internal law of the State in which such transfer took place. Such transfer shall be recorded in accordance with the legislation of the country in which it is to be effective.

The use and exploitation of trade marks may be transferred separately for each country, and such transfer shall be recorded upon the production of reliable proof that such transfer has been executed in accordance with the internal law of the State in which such transfer took place. Such transfer shall be recorded in accordance with the legislation of the country in which it is to be effective.

Chapter III.

PROTECTION OF COMMERCIAL NAMES.

Article 14.

Trade names or commercial names of persons entitled to the benefit of this Convention shall be protected in all the Contracting States. Such protection shall be enjoyed without necessity of deposit or registration, whether or not the name forms a part of a trade-mark.

APPENDIX C.

FEDERAL ALCOHOL ADMINISTRATION ACT.

49 Stat. 977.

(U. S. Code Title 27, Chapter 8, Secs. 201-212)

Sec. 3. Unlawful Businesses Without Permit.—In order effectively to regulate interstate and foreign commerce in distilled spirits, wine, and malt beverages, to enforce the twenty-first amendment, and to protect the revenue and enforce the postal laws with respect to distilled spirits, wine, and malt beverages:

(a) It shall be unlawful, except pursuant to a basic permit issued under this Act by the Administrator—

(1) to engage in the business of importing into the United States distilled spirits, wine, or malt beverages; or

(2) for any person so engaged to sell, offer or deliver for sale, contract to sell, or ship, in interstate or foreign commerce, directly or indirectly or through an affiliate, distilled spirits, wine, or malt beverages so imported.

* * * * *

(b) It shall be unlawful, except pursuant to a basic permit issued under this Act by the Administrator—

(1) to engage in the business of distilling distilled spirits, producing wine, rectifying or blending distilled spirits or wine, or bottling, or warehousing and bottling, distilled spirits; or

(2) for any person so engaged to sell, offer or deliver for sale, contract to sell, or ship, in interestate or foreign commerce, directly or indirectly or through an affiliate, distilled spirits or wine so distilled, produced, rectified, blended, or bottled, or warehoused and bottled.

* * * * *

Sec. 4. Permits.—

* * * * *

(d) A basic permit shall be conditioned upon compliance with the requirements of section 5 (relating to unfair competition and unlawful practices) and of section 6 (relating to bulk sales and bottling), with the twenty-first amendment and laws relating to the enforcement thereof, and with all other Federal laws relating to distilled spirits, wine, and malt beverages, including taxes with respect thereto.

Sec. 5. Unfair Competition and Unlawful Practices.—

It shall be unlawful for any person engaged in business as a distiller, brewer, rectifier, blender, or other producer, or as an importer or wholesaler, of distilled spirits, wine, or malt beverages, or as a bottler, or warehouseman and bottler, of distilled spirits, directly or indirectly or through an affiliate:

* * * * *

(e) Labeling.—To sell or ship or deliver for sale or shipment, or otherwise introduce in interstate or foreign commerce, or to receive therein, or to remove from customs custody for consumption, any distilled spirits, wine, or malt beverages in bottles, unless such products are bottled, packaged, and labeled in conformity with such regulations, to be prescribed by the Administrator, with respect to packaging, marking, branding, and labeling and size and fill of container * * * *.

Sec. 17. (a) As used in this Act—

* * * * *

(2) The term "United States" means the several States and Territories and the District of Columbia; the term "State" includes a Territory and the District of Columbia; and the term "Territory" means Alaska, Hawaii, and Puerto Rico.

(3) The term "interstate or foreign commerce" means commerce between any State and any place outside thereof, or commerce within any Territory or the District of Columbia, or between points within the same State but through any place outside thereof.

* * * * *

NOTE: The regulations issued by the Federal Alcohol Administration pursuant to this Act are contained in the Record, pp. 319-376. The labeling requirements of the regulations are in Sections 30-41 (R. 329-347).

APPENDIX D.

ORGANIC ACT OF PUERTO RICO.

39 Stat. 951, 961.

(U. S. Code, Title 48, Sec. 737).

Bill of Rights and Restrictions. No law shall be enacted in Porto Rico which shall deprive any person of life, liberty, or property, without due process of law, or deny to any person therein the equal protection of the laws.